

AMENDED IN SENATE MAY 25, 2004

AMENDED IN SENATE APRIL 21, 2004

SENATE BILL

No. 1129

Introduced by Senator Johnson
(Coauthor: Assembly Member Hancock)

January 13, 2004

An act to *amend Section 17462.5 of, and to add and repeal Section 17463.5 of, the Education Code, relating to school finance, and declaring the urgency thereof, to take effect immediately, as an urgency statute.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1129, as amended, Johnson. Education finance.

Existing law, the Leroy F. Greene School Facilities Act of 1998 (the Greene Act of 1998), requires the State Allocation Board to allocate to applicant school districts, prescribed per-unhoused-pupil state funding for construction and modernization of school facilities, including hardship funding, and supplemental funding for site development and acquisition. Existing law requires a school district to use the funds derived from the sale of surplus property for capital outlay or for costs of maintenance of school district property that the governing board of the school district determines will not recur within a 5-year period. Existing law authorizes a school district having an average daily attendance of less than 10,001 in any fiscal year to deposit any and all interest earned on those funds into the general fund of the district if the district meets certain conditions. *Existing law, until January 1, 2005, provides an exception to these provisions in that a school district may deposit an amount not to exceed 25% of the proceeds of the sale of*

surplus school real property, excluding any interest earned thereon, into the school district general fund and may use those proceeds for any one time, except for salaries and benefits, if certain conditions apply. Under existing law, these conditions include that the school district has an enrollment of less than 11,000 pupils, has experienced a specified decline in enrollment, and that the sale took place within a certain period of time.

This bill would delete these conditions and instead authorize any school district to use those proceeds for those one time purposes and would extend the operation of these provisions to January 1, 2007. The bill would require the school district to notify the State Allocation Board of its determination that property owned by the school district is surplus property.

This bill would, notwithstanding any other provision of law, and until January 1, 2007, authorize a school district to sell, lease, or leaseback certain surplus real and personal property, as provided, to deposit the proceeds into the general fund of the school district, and to use the proceeds from that transaction for any one-time general fund purpose. The bill would provide that if the original acquisition or construction of the property was accomplished using the proceeds of a general obligation bond act or revenue derived from developer fees, the amount that may be deposited into the general fund of the school district may not exceed the percentage of the proceeds of the transaction determined by the amount, if any, obtained by subtracting the original acquisition or construction price of the property from the proceeds of the transaction, and dividing that amount by the proceeds of the transaction, as defined.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California faces an unprecedented fiscal crisis, and in a time
- 4 of fiscal crisis, it is necessary for the state and local agencies to
- 5 examine the priorities that are essential to the core of each agency's
- 6 function.



(b) Public schools maintaining kindergarten and grades 1 to 12, inclusive, must be given the operational and fiscal flexibility to manage their budgets within the context of the current budget crisis.

SEC. 2. *Section 17462.5 of the Education Code is amended to read:*

17462.5. (a) Notwithstanding any other ~~provision of law to the contrary, including, but not limited to, Section 17462,~~ a school district may deposit an amount not to exceed 25 percent of the proceeds of the sale of surplus school real property, excluding any interest earned thereon, into the school district general fund and may use those proceeds for any one-time expenditure of the school district, except for salaries and benefits, ~~if all of the following criteria are met:~~

~~(1) The school district has an enrollment of fewer than 11,000 pupils.~~

~~(2) The school district has experienced declining enrollment for each school year from 1999–2000 to 2002–03, inclusive.~~

~~(3) The proceeds are from the sale of school district real property that occurred between July 1, 1997, and June 30, 2000, inclusive.~~

(b) Deposit of proceeds in the school district general fund pursuant to this section does not disqualify the school district from eligibility for state funding under the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10)) or under Section 17584.

(c) For the purposes of this section “sale” includes, but is not limited to, a lease of surplus property with an option to purchase.

~~(d) For purposes of this section, A school district shall notify the State Allocation Board of its determination that property owned by the school district is surplus property. Within 90 days of the receipt of that notice the State Allocation Board shall review and may disapprove the of that determination of the governing board of a school district that property is surplus property if any~~ of the proceeds from the sale of that property are *proposed to be* used for purposes other than capital outlay or maintenance costs.

(e) This section shall remain in effect only until January 1, ~~2005~~ 2007, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, ~~2005~~ 2007, deletes or extends that date.

1 *SEC. 3.* Section 17463.5 is added to the Education Code, to
2 read:

3 17463.5. (a) Notwithstanding any other law, a school district
4 may sell, lease, or leaseback, surplus real property, together with
5 any improvements located thereon, owned by the district for at
6 least 20 years, to any nonprofit, for profit, or governmental entity;
7 , may deposit the proceeds thereof into the general fund of the
8 school district; , and may use the proceeds from the sale, lease, or
9 leaseback for any one-time general fund purpose. If the original
10 acquisition or construction of the property was accomplished
11 using the proceeds of a general obligation bond act or revenue
12 derived from developer fees, the amount of the proceeds of the
13 transaction that may be deposited into the general fund of the
14 school district may not exceed the percentage of the proceeds of
15 the transaction determined by the amount, if any, obtained by
16 subtracting the original acquisition or construction price of the
17 property from the net proceeds of the transaction, and dividing that
18 result by the net proceeds of the transaction. For the purposes of
19 this section, proceeds of the transaction means either of the
20 following, as appropriate:

21 (1) The amount realized from the sale of property after
22 reasonable expenses related to the sale.

23 (2) For any transaction, such as a lease of property, that does not
24 result in a lump-sum payment of the proceeds of the transaction,
25 the proceeds of the transaction shall be calculated as the net present
26 value of the future cashflow generated by the transaction.

27 (b) A school district that purchased real property, together with
28 any personal property located thereon, entirely with local funds
29 may use the authority granted under subdivision (a) regardless of
30 the length of time the district has owned the property.

31 (c) This section is repealed on January 1, 2007, unless a later
32 enacted statute that becomes operative on or before January 1,
33 2007, deletes or extends the date on which it is repealed.

34 ~~SEC. 3.—~~

35 *SEC. 4.* This act is an urgency statute necessary for the
36 immediate preservation of the public peace, health, or safety
37 within the meaning of Article IV of the Constitution and shall go
38 into immediate effect. The facts constituting the necessity are:

- 1 School districts' need for fiscal flexibility and the current fiscal
- 2 crisis facing this state require that this act take effect immediately.

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